



EAST KENTUCKY POWER COOPERATIVE

October 14, 2008

Ms. Stephanie L. Stumbo  
Executive Director  
Public Service Commission  
Post Office Box 615  
211 Sower Boulevard  
Frankfort, KY 40602

RECEIVED  
OCT 15 2008  
PUBLIC SERVICE  
COMMISSION

Re: Case No. 2008-00115

Dear Ms. Stumbo:

Please find enclosed for filing with the Commission, pursuant to the order dated September 29, 2008 in the above-referenced case, an original and ten copies of the East Kentucky Power Cooperative, Inc., tariff for Rate ES- Environmental Surcharge, with an effective date of November 1, 2008.

Very truly yours,

A handwritten signature in cursive script that reads "Charles A. Lile".

Charles A. Lile  
Corporate Counsel

Enclosures

Cc: Michael L. Kurtz, Esq.  
Kurt J. Boehm, Esq.

EAST KENTUCKY POWER COOPERATIVE, INC

**RATE ES – ENVIRONMENTAL SURCHARGE**

**APPLICABILITY**

Applicable to all sections of this rate schedule and this rate schedule shall apply to each Member System.

**AVAILABILITY**

This rate schedule shall apply to EKPC rate sections A, B, C, E, and G and all special contracts with rates subject to adjustment upon the approval of the Commission.

**RATE**

The Environmental Surcharge shall provide for monthly adjustments based on a percent of revenues equal to the difference between the environmental compliance costs in the base period and in the current period based on the following formula:

$$\text{CESF} = \text{E(m)} / \text{R(m)}$$

$$\text{MESF} = \text{CESF} - \text{BESF}$$

MESF = Monthly Environmental Surcharge Factor

CESF = Current Environmental Surcharge Factor

BESF = Base Environmental Surcharge Factor of 1.21%

where E(m) is the total of each approved environmental compliance plan revenue requirement of environmental costs for the current expense month and R(m) is the revenue for the current expense month as expressed below.

**Definitions**

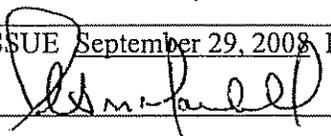
$$(1) \text{ E(m)} = [(\text{RB}/12)(\text{RORB}) + \text{OE} - \text{BAS} + (\text{Over})\text{Under Recovery}]$$

where:

(a) RB is the Environmental Compliance Rate Base, defined as electric plant in service for applicable environmental projects adjusted for accumulated depreciation, CWIP net of AFUDC, cash working capital, spare parts and limestone inventory, emission allowance inventory;

(b) RORB is the Rate of Return on the Environmental Compliance Rate Base, designated as the average cost of debt for environmental compliance plan projects approved by the Commission plus application of a times-interest-earned ratio of 1.35;

DATE OF ISSUE September 29, 2008 DATE EFFECTIVE: Service rendered on and after November 1, 2008

ISSUED BY  TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2008-00115 Dated September 29, 2008

EAST KENTUCKY POWER COOPERATIVE, INC

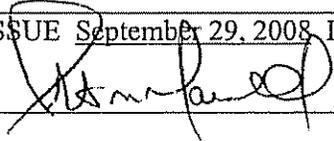
- (c) OE is the Monthly Pollution Control Operating Expenses, defined as the average of the twelve month operating and maintenance expense; depreciation expense, property taxes, insurance expense, emission allowance expense, and consulting fees. O&M expense for the pollution-control related equipment at the Gilbert generating unit will be recovered by including an average of the monthly expense as the Unit begins operation;
- (d) BAS is the net proceeds from By-Products and Emission Allowance Sales, and;
- (e) (Over) or Under recovery amount as amortized from prior six-month period.

(2) Total E(m) is multiplied by the Member System Allocation Ratio to arrive at Net E(m). The Member System Allocation Ratio is based on the ratio of the 12-month total revenue from sales to Member Systems to which the Surcharge will be applied, ending with the current expense month, divided by the 12-month total revenue from sales to Member Systems and off-system sales.

(3) The revenue R(m) is the average monthly revenue, including base revenues and automatic adjustment clause revenues less Environmental Cost Recovery Surcharge revenues, for EKPC for the twelve months ending with the current expense month.

(4) The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

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